

THE OFFICE OF REGULATORY STAFF
DIRECT TESTIMONY AND EXHIBITS
OF
IVANA C. GEARHEART
OCTOBER 3, 2013



DOCKET NO. 2013-201-WS

**Application of Utilities Services of South
Carolina, Incorporated for Adjustment of
Rates and Charges**

DIRECT TESTIMONY OF IVANA C. GEARHEART

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO: 2013-201-WS

IN RE: APPLICATION OF UTILITIES SERVICES OF SOUTH CAROLINA,

INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND
OCCUPATION.**

A. My name is Ivana Gearheart. My business address is 1401 Main Street,
Suite 900, Columbia, South Carolina, 29201. I am employed by the South
Carolina Office of Regulatory Staff ("ORS") as an Auditor.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a Master's Degree in Business Administration with an emphasis
in Accounting from Winthrop University in 2006. Prior to joining ORS, I held a
variety of positions in finance, accounting, and auditing. I began my employment
as an auditor with ORS in June 2011 and have participated in audits of various
utility companies, which included water and wastewater rate cases and have
previously testified before the Public Service Commission of South Carolina
("Commission" or "PSC").

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
PROCEEDING?**

1 A. The purpose of my testimony is to set forth my findings and
2 recommendations resulting from ORS's examination of the application of Utilities
3 Services of South Carolina, Inc. ("USSC" or "Company") in this docket. The
4 application was filed on June 28, 2013.

5 **Q. PLEASE DESCRIBE THE PROCEDURES USED TO PERFORM THE**
6 **EXAMINATION OF USSC'S APPLICATION.**

7 A. ORS's examination of USSC's application consisted of three major steps.
8 In step one, ORS verified that the operating experience and rate base, reported by
9 USSC in its application, were supported by the Company's accounting books and
10 records for the test year. In the second step, ORS tested the underlying
11 transactions in the books and records for the same period to ensure that the
12 transactions were adequately supported, had a stated business purpose, were
13 allowable for ratemaking purposes, and were properly recorded. Lastly, our
14 examination consisted of adjusting, as necessary, the revenues, expenditures, and
15 capital investments to normalize the Company's operating experience and rate
16 base in accordance with generally accepted regulatory principles and previous
17 Commission orders.

18 **Q. PLEASE IDENTIFY THE EXHIBITS ATTACHED TO YOUR**
19 **TESTIMONY.**

20 A. I have attached the following exhibits to my testimony relating to USSC's
21 Application:

- 22 • Audit Exhibit ICG-1: Operating Experience, Rate Base, and Rates of Return
23 for Combined Operations

- 1 • Audit Exhibit ICG-2: Operating Experience, Rate Base, and Rates of Return
- 2 for Water Operations
- 3 • Audit Exhibit ICG-3: Operating Experience, Rate Base, and Rates of Return
- 4 for Sewer Operations
- 5 • Audit Exhibit ICG-4: Explanation of Accounting and Pro Forma Adjustments
- 6 • Audit Exhibit ICG-5: Depreciation and Amortization Expense Adjustments
- 7 • Audit Exhibit ICG-6: Computation of Income Taxes
- 8 • Audit Exhibit ICG-7: Cash Working Capital Allowance
- 9 • Audit Exhibit ICG-8: Return on Equity

10 These exhibits were either prepared by me or were prepared under my direction
11 and supervision in compliance with recognized accounting and regulatory
12 procedures for water and wastewater utility rate cases. These exhibits show
13 various aspects of USSC's operations and financial position.

14 **Q. PLEASE DESCRIBE THE FORMAT OF AUDIT EXHIBIT ICG-1 AND**
15 **ELABORATE ON THE CALCULATIONS.**

16 **A.**Audit Exhibit ICG-1 details USSC's operating experience, rate base, and
17 rates of return for water and sewer operations for the test year ended December 31,
18 2012. The exhibit's format is designed to reflect the Application per books and
19 ORS's proposed accounting and pro forma adjustments to normalize the results of
20 USSC's test year operations.
21 Column (1) details the Application per books provided by USSC for the test year
22 ended December 31, 2012.

Column (2) details ORS's proposed accounting and pro forma adjustments designed to normalize the Application per books. An explanation of each adjustment is contained in Audit Exhibit ICG-4.

Column (3) details ORS's results for a normalized test year for USSC by adding columns (1) and (2). After the accounting and pro forma adjustments, Net Income for Return of \$420,849 was computed using Total Operating Revenues of \$3,305,750, less Total Operating Expenses of \$2,885,006, plus customer growth of \$105. Total Rate Base of \$10,408,877 produced a Return on Rate Base of 4.04%.

As shown on Audit Exhibit ICG-8, the resulting Return on Equity was 1.25%.

Column (4) details the Company's proposed increase recalculated by ORS and the calculation of taxes and customer growth associated with the proposed increase.

An explanation of each adjustment is contained in Audit Exhibit ICG-4.

Column (5) details the effect of the Company's proposed rate increase by adding columns (3) and (4). Net Income for Return of \$1,380,437 was computed using Total Operating Revenues of \$4,874,437, less Total Operating Expenses of \$3,494,358, plus customer growth of \$358. Total Rate Base of \$10,408,877 produced a Return on Rate Base of 13.26%. As shown on Audit Exhibit ICG -8, the resulting return on equity was 20.63%.

Q. PLEASE EXPLAIN THE ADJUSTMENTS IN AUDIT EXHIBIT ICG-4.

A. For comparative purposes, ORS and the Company's adjustments are both presented in Audit Exhibit ICG-4.

Adjustment 1 – The ORS Water and Wastewater Department proposes to annualize water and sewer service revenues for the test year. Details of the adjustments

1 totaling \$90,418 are discussed in the direct testimony of ORS Water and
2 Wastewater witness, Willie Morgan.

3 Adjustment 2 – The ORS Water and Wastewater Department proposes to adjust
4 miscellaneous revenues for the test year. Details of the adjustment for \$11,140 are
5 discussed in the direct testimony of ORS Water and Wastewater witness, Willie
6 Morgan.

7 Adjustment 3 – ORS proposes to adjust uncollectible accounts associated with the
8 Company's revenues after ORS's proposed accounting and pro forma
9 adjustments. The adjustment of (\$1,313) was provided by ORS Water and
10 Wastewater witness, Willie Morgan.

11 Adjustment 4 – ORS proposes to adjust operators' salaries by annualizing the
12 latest available salary information as of May 2013. Each operator's total salary is
13 allocated to USSC based on its percentage of Equivalent Residential Connections
14 ("ERC"). The ERC percentage is calculated by dividing the number of customers
15 served by USSC by the total number of customers served by all subsidiaries to
16 which the employee is assigned. ORS computed annualized salaries of \$391,826,
17 less per book salaries of \$430,291, for an adjustment of (\$38,465).

18 Adjustment 5 – ORS agrees with the Company's adjustment to update purchase
19 power costs for (\$2,086).

20 Adjustment 6 – ORS proposes to remove from maintenance expense non-allowable
21 expenses of (\$6,230) and expenditures of (\$29,826) which should have been
22 capitalized. ORS proposes to increase maintenance expenses by \$84,607, to

reclassify expenditures incorrectly classified as additions to plant in service. The net effect of these adjustments is an increase to maintenance expense of \$48,551.

Adjustment 7 – ORS proposes to remove DHEC Safe Drinking Water Fees of (\$19,944) from maintenance testing expenses. These fees are not an expense to the utility, but are fees collected by the utility and remitted to DHEC. The fees are a pass-through.

Adjustment 8 – ORS proposes to remove (\$3,928) from chemical expenses. The documents provided in support of these expenses indicated that the purchases were made for another utility.

Adjustment 9 – ORS proposes to adjust for allocated transportation expenses, including fuel and auto repairs. Transportation expense per vehicle is calculated by taking the total transportation expense for Utilities, Inc. and dividing it by the number of vehicles in the Utilities, Inc. fleet. The total transportation expense per vehicle of \$5,893 is then allocated to USSC based on the employee that operates the vehicle and the time they spend working for USSC. ORS computed total transportation expense of \$63,819 for USSC, less the per book amount of \$70,106 for an adjustment (\$6,287).

Adjustment 10 – ORS proposes to adjust operating expense charged to plant for time spent on capital projects and rate cases. Capitalized time reflects operators' and office employees' salaries, taxes & benefits. ORS made the adjustment using the capitalized time report for the most recent period of September 1, 2012 through August 31, 2013. ORS calculated operating expenses charged to plant of (\$182,272), less per book amount of (\$134,184), for an adjustment of (\$48,088).

1 Adjustment 11 – ORS proposes to adjust office salaries by annualizing salaries as
2 of May 2013. Each office employee's total salary was allocated to USSC based on
3 its percentage of ERCs. ORS computed annualized salaries of \$233,703, less per
4 book salaries of \$188,998, for an adjustment of \$ 44,705.

5 Adjustment 12 – ORS proposes to remove non-allowable amounts for DHEC fines,
6 contributions, advertising, and holiday events from office supplies and other office
7 expenses of (\$11,591).

8 Adjustment 13 – ORS proposes an adjustment to rate case expenses of \$49,625.
9 This adjustment consists of two (2) parts. In part one (1), ORS reviewed prior rate
10 case expenses of \$238,648 from Docket No. 2007-286-WS related to the
11 reconsideration, appeal, and remand. ORS removed undocumented expenses.
12 These expenses included legal fees, capitalized time and consulting fees. In part
13 two (2), ORS verified expenses of \$85,449 for current rate case expenses as of
14 9/3/2013. These charges included legal fees, capitalized time, administrative
15 expenses and consulting fees. ORS proposes to amortize current and previous
16 expenses over 5 years. The total proposed ORS adjustment of \$49,625 is computed
17 using rate case expenses associated with Docket No. 2007-286-WS of \$238,648
18 and current expenses of \$85,449 divided by 5 years, less the per book amount of
19 \$15,194.

20 Adjustment 14 – ORS proposes to annualize pension and other benefits associated
21 with the salary adjustment for operators and office employees. ORS removed non-
22 allowable benefits that were included in the per book amounts. Total ORS

1 computed pension and other benefits was \$129,612, less the per book amount of
2 \$110,789, resulting in an adjustment of \$18,823.

3 Adjustment 15 – ORS proposes to remove (\$1,335) from rent expenses. During
4 ORS's review it was discovered that the facility at 1223-A New Hope Road, is also
5 used by an affiliated company. Therefore the cost of rent must be allocated to all
6 users of the facility based on ERCs.

7 Adjustment 16 – Based on the recommendations of the ORS Water and Wastewater
8 Department, ORS did not include the Company's adjustment for their proposed
9 Leak Mitigation Program. Further explanation of ORS's position regarding the
10 Company's proposed program is provided in the direct testimony of ORS Water
11 and Wastewater witness, Willie Morgan. Additionally, ORS proposes to remove
12 (\$20,760) of miscellaneous non-allowable expenses from various accounts.

13 Adjustment 17 – ORS proposes to annualize depreciation expense and adjust for net
14 plant additions, vehicles, computers, capital improvements, non-allowable plant,
15 capitalized time, and retirements. The details of the depreciation expense
16 adjustment are shown in Audit Exhibit ICG-5. The depreciation rates were
17 recommended by ORS Water and Wastewater witness, Willie Morgan. ORS's total
18 depreciation expense amounted to \$297,514, less the per book amount of \$362,166,
19 for a total adjustment of (\$64,652).

20 Adjustment 18 – ORS proposes to adjust the amortization of Contributions in Aid
21 of Construction ("CIAC"). The details of the amortization of CIAC adjustment are
22 shown in Audit Exhibit ICG-5. ORS's total CIAC amortization expense amounted

1 to (\$2,087), less the per book amount of (\$2,045), for a total adjustment of (\$42).

2 See Audit Exhibit ICG-5.

3 Adjustment 19 – ORS proposes to adjust payroll taxes associated with the adjusted
4 test year salaries. The payroll taxes include Social Security, Medicare and
5 unemployment taxes. ORS updated taxes using current rates. ORS computed taxes
6 of \$58,581, less the per book amount of \$43,651, resulting in an adjustment of
7 \$14,930.

8 Adjustment 20 – ORS proposes to adjust gross receipts and utility/commission
9 taxes after accounting and pro forma adjustments. A total factor of .00963081,
10 comprised of the SC Department of Revenue factor of .003 and the PSC/ORS
11 factor of .00663081, was used to compute this adjustment. ORS proposes to
12 increase gross receipts taxes by \$10,798.

13 Adjustment 21 – ORS proposes to adjust income taxes after accounting and pro
14 forma adjustments. ORS used a 5% rate for state income taxes and a rate of 35%
15 for federal income taxes. Details of the computation of income taxes are shown in
16 ICG-6.

17 Adjustment 22 – ORS proposes to remove amortization of the plant acquisition
18 adjustment of (\$19,473) as the Company has not been granted recovery of a plant
19 acquisition adjustment by the Commission.

20 Adjustment 23 – ORS proposes to remove the interest during construction of
21 (\$1,286) from the per book amount for ratemaking purposes.

22 Adjustment 24 – ORS proposes to adjust customer growth after the accounting and
23 pro forma adjustments. The growth factor of 0.02934% for water operations was

1 provided by ORS witness Willie Morgan. There was no customer growth for
2 wastewater operations.

3 Adjustment 25 – ORS proposes to decrease gross plant in service by (\$2,701,115)
4 for adjusted vehicle costs, computer costs, capital improvements, non-allowable
5 plant, capitalized time, and retirements through September 1, 2013. This reduction
6 results from adjusting the useful lives and allocation of various vehicles, the
7 removal of items improperly capitalized in years prior to the test year, and those
8 determined by the ORS Water/Wastewater Department as either relating to other
9 affiliated companies, or having been improperly capitalized during the test year.
10 ORS also recomputed capitalized time, and updated retirements, accordingly.
11 Several adjustments from Docket No. 2005-217-WS and Docket No. 2007-286-
12 WS were included by ORS in the calculation of net plant additions. These
13 adjustments were approved by Commission Orders but were not posted by USSC
14 to their books and records.

15 Adjustment 26 – ORS proposes to include gross plant in service for general ledger
16 additions of \$419,506 as of September 1, 2013. ORS reviewed the support
17 documentation for the proposed plant additions, and included only those plant
18 additions that were known and measurable, and providing service to present
19 customers.

20 Adjustment 27 – ORS proposes to adjust accumulated depreciation by \$302,605
21 to reflect gross plant in service and depreciation associated with pro forma general
22 ledger additions, vehicles, computers, capital improvements, non-allowable plant,
23 capitalized time, and retirements.

1 Adjustment 28 – ORS proposes to adjust cash working capital after accounting
2 and pro forma adjustments. ORS proposes to increase cash working capital by
3 \$1,152. Details of this adjustment are included in Audit Exhibit ICG-7.

4 Adjustment 29 – ORS proposes to adjust CIAC by \$42 to reflect the amortization
5 of CIAC expense, as a result of ORS Adjustment 19.

6 Adjustment 30 – ORS and the Company agree to remove the plant acquisition
7 adjustment of (\$1,083,984) from rate base.

8 Adjustment 31 – ORS proposes to synchronize allowable interest expense to
9 reflect the rate base after accounting and pro forma adjustments, using the
10 capitalization ratio of 52.44% for debt and 47.56% for equity and a cost of debt of
11 6.58%. ORS computed an adjustment of (\$167,040), resulting in allowable
12 interest expense of \$359,164. See Audit Exhibit ICG-8 for ORS's computation of
13 interest expense. Details of the Company's capital structure can be found in the
14 testimony of ORS witness, Dr. Douglas H. Carlisle.

15 Adjustment 32 – Based upon ORS Water and Wastewater Department calculations,
16 USSC's proposed rates would produce additional revenues of \$1,381,431 for Water
17 Operations and \$157,011 for Sewer Operations. Details of these adjustments are
18 shown in the direct testimony of ORS Water and Wastewater witness, Willie
19 Morgan.

20 Adjustment 33 – ORS proposes to adjust miscellaneous revenue for the Company's
21 proposed rate increase. Details of the adjustment for \$50,794 are shown in the
22 direct testimony of ORS Water and Wastewater witness, Willie Morgan.

Adjustment 34 – ORS proposes to adjust uncollectible accounts associated with the Company's revenues after ORS's proposed accounting and pro forma adjustments. The adjustment of (\$20,549) was provided by ORS Water and Wastewater witness, Willie Morgan.

Adjustment 35 – Based on the recommendations of the ORS Water and Wastewater Department, ORS did not include the Company's adjustment for their proposed Leak Mitigation Program. Further explanation of ORS's position regarding the Company's proposed program is provided in the direct testimony of ORS Water and Wastewater witness, Willie Morgan.

Adjustment 36 – ORS proposes to adjust gross receipts and utility/commission taxes for the Company's proposed rate increase. A total factor of .00963081, comprised of the SC Department of Revenue factor of .003 and the PSC/ORS factor of .00663081, was used to compute this adjustment. ORS proposes to increase gross receipts taxes by \$15,108.

Adjustment 37 – ORS proposes to adjust income taxes for the Company's proposed rate increase. See Audit Exhibit ICG-6 for the computation of income taxes.

Adjustment 38 – ORS proposes to adjust customer growth after the proposed increase. The growth factor of 0.02934% for water operations was provided by ORS witness Willie Morgan. There was no customer growth for sewer operations.

Q. PLEASE DESCRIBE THE REMAINING AUDIT EXHIBITS.

A. Audit Exhibit ICG-5 details the computation of ORS's depreciation and amortization expense adjustments. Audit Exhibit ICG-6 details the computation of income taxes. Audit Exhibit ICG-7 details the calculation of the cash working

1 capital allowance and Audit Exhibit ICG-8 details the calculation of return on
2 equity.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 **A. Yes.**

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2012
Combined Operations

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Applicant's Proposed Increase \$	(5) After Applicant's Proposed Increase \$
Operating Revenues:					
Service Revenues - Water	2,970,223	(2,225) (A)	2,967,998	1,381,431 (DD)	4,349,429
Service Revenues - Sewer	179,041	92,643 (A)	271,684	157,011 (DD)	428,695
Miscellaneous Revenues	98,231	11,140 (B)	109,371	50,794 (EE)	160,165
Uncollectible Accounts	(41,990)	(1,313) (C)	(43,303)	(20,549) (FF)	(63,852)
Total Operating Revenues	3,205,505	100,245	3,305,750	1,568,687	4,874,437
Maintenance Expenses:					
Salaries and Wages	430,290	(38,465) (D)	391,825	0	391,825
Purchased Power	179,974	(2,086) (E)	177,888	0	177,888
Purchased Sewer & Water (Pass Through)	33,244	0	33,244	0	33,244
Purchased Water - Supplemental	126,396	0	126,396	0	126,396
Maintenance and Repair	290,422	48,551 (F)	338,973	0	338,973
Maintenance Testing	132,680	(19,944) (G)	112,736	0	112,736
Meter Reading	59,729	0	59,729	0	59,729
Chemicals	96,059	(3,928) (H)	92,131	0	92,131
Transportation	70,106	(6,287) (I)	63,819	0	63,819
Operating Expense Charged to Plant	(134,184)	(48,088) (J)	(182,272)	0	(182,272)
Total	1,284,716	(70,247)	1,214,469	0	1,214,469
General Expenses:					
Salaries and Wages	188,998	44,705 (K)	233,703	0	233,703
Office Supplies & Other Office Expense	94,735	(11,591) (L)	83,144	0	83,144
Regulatory Commission Expense	15,194	49,625 (M)	64,819	0	64,819
Pension & Other Benefits	110,789	18,823 (N)	129,612	0	129,612
Rent	20,910	(1,335) (O)	19,575	0	19,575
Insurance	57,597	0	57,597	0	57,597
Office Utilities	154,616	0	154,616	0	154,616
Outside Services - Other	39,202	0	39,202	0	39,202
Miscellaneous	(395)	(20,760) (P)	(21,155)	0 (GG)	(21,155)
Total	681,646	79,467	761,113	0	761,113
Depreciation	362,166	(64,652) (Q)	297,514	0	297,514
Amortization of CIAC	(2,045)	(42) (R)	(2,087)	0	(2,087)
Taxes Other Than Income	550,123	25,728 (S)	575,851	15,108 (HII)	590,959
Income Taxes - State & Federal	(42,626)	80,772 (T)	38,146	594,244 (II)	632,390
Amortization of Plant Acquisition Adjustment	19,473	(19,473) (U)	0	0	0
Total	887,091	22,333	909,424	609,352	1,518,776
Total Operating Expenses	2,853,453	31,553	2,885,006	609,352	3,494,358
Total Operating Income	352,052	68,692	420,744	959,335	1,380,079
Interest During Construction	(1,286)	1,286 (V)	0	0	0
Customer Growth	0	105 (W)	105	253 (JJ)	358
Net Income for Return	350,766	70,083	420,849	959,589	1,380,437
Original Cost Rate Base:					
Gross Plant in Service	16,668,304	(2,281,609) (X)	14,386,695	0	14,386,695
Accumulated Depreciation	(2,640,365)	302,605 (Y)	(2,337,760)	0	(2,337,760)
Net Plant in Service	14,027,939	(1,979,004)	12,048,935	0	12,048,935
Cash Working Capital	245,796	1,152 (Z)	246,948	0	246,948
Contributions in Aid of Construction	(123,238)	42 (AA)	(123,196)	0	(123,196)
Accumulated Deferred Income Taxes	(1,622,415)	0	(1,622,415)	0	(1,622,415)
Plant Acquisition Adjustment	1,083,984	(1,083,984) (BB)	0	0	0
Customer Deposits	(141,395)	0	(141,395)	0	(141,395)
Total Rate Base	13,470,671	(3,061,794)	10,408,877	0	10,408,877
Return on Rate Base	2.61%		4.04%		13.26%
Operating Margin	-5.47%		1.87%		20.95%
Interest Expense	526,204	(167,040) (CC)	359,164		359,164

Note: Return on Rate Base in column (1) is calculated by using Total Operating Income divided by Total Rate Base.

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2012
Water Operations

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Applicant's Proposed Increase \$	(6) After Applicant's Proposed Increase \$
Operating Revenues:					
Service Revenues - Water	2,970,223	(2,225) (A)	2,967,998	1,381,431 (DD)	4,349,429
Miscellaneous Revenues	93,044	11,265 (B)	104,309	49,070 (EE)	153,379
Uncollectible Accounts	(39,773)	101 (C)	(39,672)	(18,451) (FF)	(58,123)
Total Operating Revenues	3,023,494	9,141	3,032,635	1,412,050	4,444,685
Maintenance Expenses:					
Salaries and Wages	407,571	(36,434) (D)	371,137	0	371,137
Purchased Power	165,077	(2,165) (E)	162,912	0	162,912
Purchased Water - Pass Through	33,244	0	33,244	0	33,244
Purchased Water - Supplemental	126,396	0	126,396	0	126,396
Maintenance and Repair	239,814	65,988 (F)	305,802	0	305,802
Maintenance Testing	106,016	(19,944) (G)	86,072	0	86,072
Meter Reading	56,575	0	56,575	0	56,575
Chemicals	90,987	(3,721) (H)	87,266	0	87,266
Transportation	66,404	(5,590) (I)	60,814	0	60,814
Operating Expense Charged to Plant	(127,099)	(45,549) (J)	(172,648)	0 (GG)	(172,648)
Total	1,164,985	(47,415)	1,117,570	0	1,117,570
General Expenses:					
Salaries and Wages	179,019	42,345 (K)	221,364	0	221,364
Office Supplies & Other Office Expense	82,128	(3,374) (L)	78,754	0	78,754
Regulatory Commission Expense	14,392	47,002 (M)	61,394	0	61,394
Pension & Other Benefits	104,939	17,829 (N)	122,768	0	122,768
Rent	19,806	(1,335) (O)	18,471	0	18,471
Insurance	54,556	0	54,556	0	54,556
Office Utilities	146,452	0	146,452	0	146,452
Outside Services - Other	37,132	0	37,132	0	37,132
Miscellaneous	(374)	(19,664) (P)	(20,038)	0	(20,038)
Total	638,050	82,803	720,853	0	720,853
Depreciation	340,740	(62,563) (Q)	278,177	0	278,177
Amortization of CIAC	(2,045)	(42) (R)	(2,087)	0	(2,087)
Taxes Other Than Income	521,076	23,421 (S)	544,497	13,599 (HH)	558,096
Income Taxes - State & Federal	(40,375)	56,902 (T)	16,527	534,908 (II)	551,435
Amortization of Plant Acquisition Adjustment	19,473	(19,473) (U)	0	0	0
Total	838,869	(1,755)	837,114	548,507	1,385,621
Total Operating Expenses	2,641,904	33,633	2,675,537	548,507	3,224,044
Total Operating Income	381,590	(24,492)	357,098	863,543	1,220,641
Interest During Construction	(1,218)	1,218 (V)	0	0	0
Customer Growth	0	105 (W)	105	253 (JJ)	358
Net Income for Return	380,372	(23,169)	357,203	863,796	1,220,999
Original Cost Rate Base:					
Gross Plant in Service	15,617,584	(2,215,895) (X)	13,401,689	0	13,401,689
Accumulated Depreciation	(2,557,662)	295,870 (Y)	(2,261,792)	0	(2,261,792)
Net Plant in Service	13,059,922	(1,920,025)	11,139,897	0	11,139,897
Cash Working Capital	225,380	4,423 (Z)	229,803	0	229,803
Contributions in Aid of Construction	(123,238)	42 (AA)	(123,196)	0	(123,196)
Accumulated Deferred Income Taxes	(1,536,751)	0	(1,536,751)	0	(1,536,751)
Plant Acquisition Adjustment	1,083,984	(1,083,984) (BB)	0	0	0
Customer Deposits	(133,929)	0	(133,929)	0	(133,929)
Total Rate Base	12,575,368	(2,999,544)	9,575,824	0	9,575,824
Return on Rate Base	3.02%		3.73%		12.75%
Operating Margin	-3.90%		0.88%		20.04%
Interest Expense	498,420	(168,001) (CC)	330,419		330,419

Note: Return on Rate Base in column (1) is calculated by using Total Operating Income divided by Total Rate Base.

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Operating Experience, Rate Base and Rates of Return
For the Test Year Ended December 31, 2012
Sewer Operations

Description	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Adjustments \$	(4) Applicant's Proposed Increase \$	(6) After Applicant's Proposed Increase \$
Operating Revenues:					
Service Revenues - Sewer	179,041	92,643 (A)	271,684	157,011 (DD)	428,695
Miscellaneous Revenues	5,187	(125) (B)	5,062	1,724 (EE)	6,786
Uncollectible Accounts	(2,217)	(1,414) (C)	(3,631)	(2,098) (FF)	(5,729)
Total Operating Revenues	182,011	91,104	273,115	156,637	429,752
Maintenance Expenses:					
Salaries and Wages	22,719	(2,031) (D)	20,688	0	20,688
Purchased Power	14,897	79 (E)	14,976	0	14,976
Purchased Sewer	0	0	0	0	0
Maintenance and Repair	50,608	(17,437) (F)	33,171	0	33,171
Maintenance Testing	26,664	0 (G)	26,664	0	26,664
Meter Reading	3,154	0	3,154	0	3,154
Chemicals	5,072	(207) (H)	4,865	0	4,865
Transportation	3,702	(697) (I)	3,005	0	3,005
Operating Expense Charged to Plant	(7,085)	(2,539) (J)	(9,624)	0	(9,624)
Total	119,731	(22,832)	96,899	0	96,899
General Expenses:					
Salaries and Wages	9,979	2,360 (K)	12,339	0	12,339
Office Supplies & Other Office Expense	12,607	(8,217) (L)	4,390	0	4,390
Regulatory Commission Expense	802	2,623 (M)	3,425	0	3,425
Pension & Other Benefits	5,850	994 (N)	6,844	0	6,844
Rent	1,104	0 (O)	1,104	0	1,104
Insurance	3,041	0	3,041	0	3,041
Office Utilities	8,164	0	8,164	0	8,164
Outside Services - Other	2,070	0	2,070	0	2,070
Miscellaneous	(21)	(1,096) (P)	(1,117)	0 (GG)	(1,117)
Total	43,596	(3,336)	40,260	0	40,260
Depreciation	21,426	(2,089) (Q)	19,337	0	19,337
Amortization of CIAC	0	0 (R)	0	0	0
Taxes Other Than Income	29,047	2,307 (S)	31,354	1,509 (HH)	32,863
Income Taxes - State & Federal	(2,251)	23,870 (T)	21,619	59,336 (II)	80,955
Amortization of Plant Acquisition Adjustment	0	0 (U)	0	0	0
Total	48,222	24,088	72,310	60,845	133,155
Total Operating Expenses	211,549	(2,080)	209,469	60,845	270,314
Total Operating Income	(29,538)	93,184	63,646	95,792	159,438
Interest During Construction	(68)	68 (V)	0	0	0
Customer Growth	0	0 (W)	0	0 (JJ)	0
Net Income for Return	(29,606)	93,252	63,646	95,792	159,438
Original Cost Rate Base:					
Gross Plant in Service	1,050,720	(65,714) (X)	985,006	0	985,006
Accumulated Depreciation	(82,703)	6,735 (Y)	(75,968)	0	(75,968)
Net Plant in Service	968,017	(58,979)	909,038	0	909,038
Cash Working Capital	20,416	(3,271) (Z)	17,145	0	17,145
Contributions in Aid of Construction	0	0 (AA)	0	0	0
Accumulated Deferred Income Taxes	(85,664)	0	(85,664)	0	(85,664)
Plant Acquisition Adjustment	0	0 (BB)	0	0	0
Customer Deposits	(7,466)	0	(7,466)	0	(7,466)
Total Rate Base	895,303	(62,250)	833,053	0	833,053
Return on Rate Base	-3.31%		7.64%		19.14%
Operating Margin	-31.53%		12.78%		30.41%
Interest Expense	27,784	961 (CC)	28,745		28,745

Note: Return on Rate Base in column (1) is calculated by using Total Operating Income divided by Total Rate Base.

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$</u> <u>Combined</u> <u>Operations</u>	<u>\$</u> <u>Water</u> <u>Operations</u>	<u>\$</u> <u>Sewer</u> <u>Operations</u>
<u>Accounting and Pro Forma Adjustments</u>			
<u>Operating Revenues</u>			
(A) Service Revenues			
1 To adjust service revenues to reflect test year customer billing.			
Per ORS	90,418	(2,225)	92,643
Per USSC	(37,997)	(38,941)	944
(B) Miscellaneous Revenues			
2 To adjust miscellaneous revenues to reflect increase in late payment and notification fees and other revenues.			
Per ORS	11,140	11,265	(125)
Per USSC	0	0	0
(C) Uncollectible Accounts			
3 To adjust uncollectible accounts to reflect accounting and pro forma adjustments to service revenues.			
Per ORS	(1,313)	101	(1,414)
Per USSC	509	521	(12)
<u>Maintenance Expenses</u>			
(D) Salaries & Wages			
4 To annualize operators' salaries for the test year.			
Per ORS	(38,465)	(36,434)	(2,031)
Per USSC	(34,698)	(33,989)	(709)
(E) Purchased Power			
5 ORS agrees with USSC adjustment.			
Per ORS	(2,086)	(2,165)	79
Per USSC	(2,086)	(2,165)	79
(F) Maintenance and Repair			
6 To adjust for a net increase in maintenance and repair expense.			
Per ORS	48,551	65,988	(17,437)
Per USSC	0	0	0

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$ Combined Operations</u>	<u>\$ Water Operations</u>	<u>\$ Sewer Operations</u>
(G) Maintenance Testing			
7 To remove DHEC Safe Drinking Water Fees.			
Per ORS	(19,944)	(19,944)	0
Per USSC	0	0	0
(H) Chemicals			
8 ORS proposes to adjust for nonallowables items.			
Per ORS	(3,928)	(3,721)	(207)
Per USSC	(1,166)	(1,193)	27
(I) Transportation			
9 To adjust for allocated transportation expense including fuel and auto repairs.			
Per ORS	(6,287)	(5,590)	(697)
Per USSC	(3,881)	(4,080)	199
(J) Operating Expenses Charged to Plant			
10 To adjust operating expense charged to plant (capitalized time) for actual salary expenses and associated taxes and benefits.			
Per ORS	(48,088)	(45,549)	(2,539)
Per USSC	2,796	3,815	(1,019)
General Expenses			
(K) Salaries & Wages			
11 To annualize office salaries for the test year.			
Per ORS	44,705	42,345	2,360
Per USSC	17,432	16,644	788
(L) Office Supplies & Other Office Expense			
12 To remove nonallowable amounts for fines and other items.			
Per ORS	(11,591)	(3,374)	(8,217)
Per USSC	(8,029)	0	(8,029)
(M) Regulatory Commission Expense			
13 To amortize current and previous rate case expenses over a five-year period.			
Per ORS	49,625	47,002	2,623
Per USSC	137,155	129,908	7,247

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

Description	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
(N) Pension & Other Benefits			
14 To annualize pension and other benefits associated with the adjusted test year salaries.			
Per ORS	18,823	17,829	994
Per USSC	14,021	13,192	829
(O) Rent			
15 To remove affiliated Company's portion of the rent.			
Per ORS	(1,335)	(1,335)	0
Per USSC	0	0	0
(P) Miscellaneous			
16 To remove nonallowable items.			
Per ORS	(20,760)	(19,664)	(1,096)
Per USSC	16,047	15,121	926
(Q) Depreciation Expense			
17 To annualize depreciation expense for known and measurable plant in service.			
Per ORS	(64,652)	(62,563)	(2,089)
Per USSC	(26,475)	(26,783)	308
(R) Amortization of Contributions in Aid of Construction (CIAC)			
18 To annualize the amortization of CIAC expense.			
Per ORS	(42)	(42)	0
Per USSC	(171)	(171)	0
(S) Taxes Other Than Income			
19 To adjust payroll taxes associated with the adjusted test year salaries.			
Per ORS	14,930	14,142	788
Per USSC	15,497	14,591	906
20 To adjust gross receipts and utility/commission taxes after the accounting and pro forma adjustments using a factor of .00963081 (.003 for SCDOR and .00663081 for PSC/ORS).			
Per ORS	10,798	9,279	1,519
Per USSC	(355)	(364)	9
Total Per ORS	25,728	23,421	2,307
Total Per USSC	15,142	14,227	915

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$</u> <u>Combined</u> <u>Operations</u>	<u>\$</u> <u>Water</u> <u>Operations</u>	<u>\$</u> <u>Sewer</u> <u>Operations</u>
(T) Income Taxes			
21 To adjust state and federal income taxes after accounting and pro forma adjustments. See Audit Exhibit ICG-6.			
Per ORS	80,772	56,902	23,870
Per USSC	(79,663)	(50,275)	(29,388)
(U) Amortization of Plant Acquisition Adjustment			
22 To remove the amortization of Plant Acquisition Adjustment.			
Per ORS	(19,473)	(19,473)	0
Per USSC	0	0	0
(V) Interest During Construction (IDC)			
23 To eliminate IDC for rate making purposes			
Per ORS	1,286	1,218	68
Per USSC	1,286	1,218	68
(W) Customer Growth			
24 To adjust for customer growth after the accounting and pro forma adjustments. The growth factor of .02934% for water was computed by the Water and Wastewater Department.			
Per ORS	105	105	0
Per USSC	0	0	0
(X) Gross Plant in Service			
25 To adjust plant in service for nonallowable items, recalculated capitalized time and retirements as of December 31, 2012.			
Per ORS	(2,701,115)	(2,615,076)	(86,039)
Per USSC	(460,692)	(435,064)	(25,628)
26 To adjust gross plant in service for net G/L additions occurring after the test year.			
Per ORS	419,506	399,181	20,325
Per USSC	1,275,947	708,733	567,214
Total Per ORS	(2,281,609)	(2,215,895)	(65,714)
Total Per USSC	815,255	273,669	541,586
(Y) Accumulated Depreciation			
27 To reduce accumulated depreciation for pro forma plant additions, retirements, nonallowable items and recalculated capitalized time, as well as, depreciation for vehicles and computers.			
Per ORS	302,605	295,870	6,735
Per USSC	224,356	208,808	15,548

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>S Combined Operations</u>	<u>S Water Operations</u>	<u>S Sewer Operations</u>
(Z) Cash Working Capital			
28 To adjust cash working capital after accounting and pro forma adjustments. See Audit Exhibit ICG-7.			
Per ORS	1,152	4,423	(3,271)
Per USSC	18,116	18,009	107
(AA) Contributions in Aid of Construction (CIAC)			
29 To adjust CIAC to reflect the amortization of CIAC expense as a result of ORS Adjustment 19.			
Per ORS	42	42	0
Per USSC	167	167	0
(BB) Plant Acquisition Adjustment			
30 To remove the Plant Acquisition Adjustment from Rate Base			
Per ORS	(1,083,984)	(1,083,984)	0
Per USSC	(1,083,984)	(1,083,984)	0
(CC) Interest Expense			
31 To adjust interest on debt using a 52.44% and 47.56% debt to equity ratio and 6.58% cost of debt. ORS computed allowable interest expense after accounting and pro forma adjustments. See Audit Exhibit ICG-8.			
Per ORS	(167,040)	(168,001)	961
Per USSC	(60,641)	(83,157)	22,516
<u>Proposed Increase</u>			
(DD) Service Revenues			
32 To adjust water and sewer service revenues for ORS's recalculation of the Company's proposed rate increase.			
Per ORS	1,538,442	1,381,431	157,011
Per USSC	1,468,356	1,364,339	104,017
(EE) Miscellaneous Revenues			
33 To adjust miscellaneous revenues for ORS's recalculation of the Company's proposed rate increase.			
Per ORS	50,794	49,070	1,724
Per USSC	0	0	0
(FF) Uncollectible Accounts			
34 To adjust for uncollectible accounts associated with the Company's proposed rate increase.			
Per ORS	(20,549)	(18,451)	(2,098)
Per USSC	(19,557)	(18,269)	(1,288)

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Explanation of Accounting and Pro Forma Adjustments
For the Test Year Ended December 31, 2012

<u>Description</u>	<u>\$</u> <u>Combined</u> <u>Operations</u>	<u>\$</u> <u>Water</u> <u>Operations</u>	<u>\$</u> <u>Sewer</u> <u>Operations</u>
General Expenses:			
(GG) Miscellaneous			
35 To adjust miscellaneous expenses related to Company's requested Leak Mitigation Program			
Per ORS	0	0	0
Per USSC	7,342	6,822	520
(III) Taxes Other Than Income			
36 To adjust gross receipts and utility/commission taxes associated with the Company's proposed increase using a factor of .00963081 (.003 for SCDOR and .00663081 for PSC/ORS).			
Per ORS	15,108	13,599	1,509
Per USSC	13,738	12,765	973
(II) Income Taxes			
37 To adjust state and federal income taxes associated with the Company's proposed increase. See Audit Exhibit ICG-6.			
Per ORS	594,244	534,908	59,336
Per USSC	546,103	507,380	38,723
(JJ) Customer Growth			
38 To adjust for customer growth after proposed increase. The growth factor of .02934% for water was computed by the Water and Wastewater Department.			
Per ORS	253	253	0
Per USSC	0	0	0

Utilities Services of South Carolina, Inc.
 Depreciation and Amortization Expense Adjustments
 Docket No. 2013-201-WS
 For the Test Year Ended December 31, 2012

	<u>Combined Operations</u> \$	<u>Water Operations</u> \$	<u>Sewer Operations</u> \$
<u>Depreciation Adjustment</u>			
Gross Plant @ 12/31/12	16,668,304	15,617,584	1,050,720
Add:			
Net Plant Additions Adjustment @ 09/01/13	(2,281,609)	(2,215,895)	(65,714)
Less:			
Organization @ 09/01/13	(233,231)	(207,814)	(25,417)
Land @ 09/01/13	(242,309)	(241,499)	(810)
Vehicles @ 09/01/13	(247,173)	(232,397)	(14,776)
Computers @ 09/01/13	(589,586)	(558,435)	(31,151)
<u>Net Plant</u>	13,074,396	12,161,544	912,852
Plant Depreciation @ 1.5% (66.67 years)	<u>196,116</u>	<u>182,423</u>	<u>13,693</u>
<u>Vehicles @ 09/01/13</u>	247,173	232,397	14,776
Less: Fully Depreciated Vehicles	(81,011)	(76,731)	(4,280)
Net Vehicles	<u>166,162</u>	<u>155,666</u>	<u>10,496</u>
Vehicle Depreciation @ 16.67% (6 years)	<u>27,700</u>	<u>25,950</u>	<u>1,750</u>
<u>Computers @ 09/01/13</u>	589,586	558,435	31,151
Less: Fully Depreciated Computers	0	0	0
Net Computers	<u>589,586</u>	<u>558,435</u>	<u>31,151</u>
Computer Depreciation @ 12.5% (8 years)	<u>73,698</u>	<u>69,804</u>	<u>3,894</u>
Total Depreciation	<u>297,514</u>	<u>278,177</u>	<u>19,337</u>
Less: Per Books Depreciation	<u>362,166</u>	<u>340,740</u>	<u>21,426</u>
<u>ORS Adjustment</u>	<u>(64,652)</u>	<u>(62,563)</u>	<u>(2,089)</u>
Company's Adjustment	<u>(26,475)</u>	<u>(26,783)</u>	<u>308</u>
<u>Amortization of CIAC Adjustment</u>			
Gross CIAC @ 12/31/12	(136,567)	(136,567)	0
Add: 2013 CIAC	(4,950)	(4,950)	0
Add: Purdy Shores CIAC	2,500	2,500	0
Less: Purdy Shores Accumulated CIAC	(126)	(126)	0
ORS Adjusted CIAC	<u>(139,143)</u>	<u>(139,143)</u>	<u>0</u>
CIAC Amortization @ 1.5% (66.67 years)	(2,087)	(2,087)	0
Less: Per Books Amortization of CIAC	<u>(2,045)</u>	<u>(2,045)</u>	<u>0</u>
<u>ORS Adjustment</u>	<u>(42)</u>	<u>(42)</u>	<u>0</u>
Company's Adjustment	<u>(171)</u>	<u>(171)</u>	<u>0</u>

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WVS
Computation of Income Taxes
For the Test Year Ended December 31, 2012

After Accounting & Pro Forma Adjustments

	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	3,305,750	3,032,635	273,115
Operating Expenses	<u>2,846,860</u>	<u>2,659,010</u>	<u>187,850</u>
Net Operating Income Before Taxes	458,890	373,625	85,265
Less: Annualized Interest Expense	<u>359,164</u>	<u>330,419</u>	<u>28,745</u>
Taxable Income - State	99,726	43,206	56,520
State Income Tax %	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
State Income Taxes	4,986	2,160	2,826
Less: State Income Taxes Per Book	<u>32,053</u>	<u>30,361</u>	<u>1,692</u>
Adjustment to State Income Taxes	<u>(27,067)</u>	<u>(28,201)</u>	<u>1,134</u>
Taxable Income - Federal	94,740	41,046	53,694
Federal Income Taxes %	<u>35.0%</u>	<u>35.0%</u>	<u>35.0%</u>
Federal Income Taxes	33,159	14,366	18,793
Less: Federal Income Taxes Per Book	<u>(74,680)</u>	<u>(70,737)</u>	<u>(3,943)</u>
Adjustment to Federal Income Taxes	<u>107,839</u>	<u>85,103</u>	<u>22,736</u>
Total Adjustment to Income Taxes	<u>80,772</u>	<u>56,902</u>	<u>23,870</u>

After Applicant's Proposed Increase

	\$ Combined Operations	\$ Water Operations	\$ Sewer Operations
Operating Revenues	4,874,437	4,444,685	429,752
Operating Expenses	<u>2,861,968</u>	<u>2,672,609</u>	<u>189,359</u>
Net Operating Income Before Taxes	2,012,469	1,772,076	240,393
Less: Annualized Interest Expense	<u>359,164</u>	<u>330,419</u>	<u>28,745</u>
Taxable Income - State	1,653,305	1,441,657	211,648
State Income Tax %	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>
State Income Taxes	82,665	72,083	10,582
Less: State Income Taxes As Adjusted	<u>4,986</u>	<u>2,160</u>	<u>2,826</u>
Adjustment to State Income Taxes	<u>77,679</u>	<u>69,923</u>	<u>7,756</u>
Taxable Income - Federal	1,570,640	1,369,574	201,066
Federal Income Taxes %	<u>35.0%</u>	<u>35.0%</u>	<u>35.0%</u>
Federal Income Taxes	549,724	479,351	70,373
Less: Federal Income Taxes As Adjusted	<u>33,159</u>	<u>14,366</u>	<u>18,793</u>
Adjustment to Federal Income Taxes	<u>516,565</u>	<u>464,985</u>	<u>51,580</u>
Total Adjustment to Income Taxes	<u>594,244</u>	<u>534,908</u>	<u>59,336</u>

Utilities Services of South Carolina, Inc.
Docket No. 2013-201-WS
Cash Working Capital Allowance
For the Test Year Ended December 31, 2012

<u>After Accounting & Pro Forma Adjustments</u>	<u>\$ Combined Operations</u>	<u>\$ Water Operations</u>	<u>\$ Sewer Operations</u>
Maintenance Expenses	1,214,469	1,117,570	96,899
General Expenses	<u>761,113</u>	<u>720,853</u>	<u>40,260</u>
Total Expenses for Computation	1,975,582	1,838,423	137,159
Allowable Rate	<u>12.50%</u>	<u>12.50%</u>	<u>12.50%</u>
Computed Cash Working Capital	246,948	229,803	17,145
Cash Working Capital - Application Per Books	<u>245,796</u>	<u>225,380</u>	<u>20,416</u>
Cash Working Capital Adjustment - ORS Accounting & Pro Forma Adjustment	<u><u>1,152</u></u>	<u><u>4,423</u></u>	<u><u>(3,271)</u></u>
Cash Working Capital Adjustment - USSC	<u><u>18,116</u></u>	<u><u>18,009</u></u>	<u><u>107</u></u>

Combined Operations

Description	(Note) Capital Structure	Application Per Books			After Accounting and Pro forma Adjustments			After Applicant's Proposed Increase		
		Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 180,000,000	52.44%	6.58%	3.45%	\$ 180,000,000	52.44%	6.58%	\$ 180,000,000	52.44%	6.58%
Members' Equity	163,255,970	47.56%	-1.78%	-0.86%	163,255,970	47.56%	-1.78%	163,255,970	47.56%	-1.78%
Totals	\$ 343,255,970	100.00%	2.59%	2.59%	\$ 343,255,970	100.00%	2.59%	\$ 343,255,970	100.00%	2.59%

Water Operations

Description	Capital Structure	Application Per Books			After Accounting and Pro forma Adjustments			After Applicant's Proposed Increase		
		Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 180,000,000	52.44%	6.58%	3.45%	\$ 180,000,000	52.44%	6.58%	\$ 180,000,000	52.44%	6.58%
Members' Equity	163,255,970	47.56%	-0.90%	-0.43%	163,255,970	47.56%	-0.90%	163,255,970	47.56%	-0.90%
Totals	\$ 343,255,970	100.00%	3.02%	3.02%	\$ 343,255,970	100.00%	3.02%	\$ 343,255,970	100.00%	3.02%

Sewer Operations

Description	Capital Structure	Application Per Books			After Accounting and Pro forma Adjustments			After Applicant's Proposed Increase		
		Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return	Rate Base	Embedded Cost/Return	Overall Cost/Return
Long-Term Debt	\$ 180,000,000	52.44%	6.58%	3.45%	\$ 180,000,000	52.44%	6.58%	\$ 180,000,000	52.44%	6.58%
Members' Equity	163,255,970	47.56%	-14.21%	-6.76%	163,255,970	47.56%	-14.21%	163,255,970	47.56%	-14.21%
Totals	\$ 343,255,970	100.00%	-3.31%	-3.31%	\$ 343,255,970	100.00%	-3.31%	\$ 343,255,970	100.00%	-3.31%

Note: ORS used the capital structure of the parent company, Utilities, Inc.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-201-WS

IN RE: Application of Utilities Services of South)
 Carolina, Incorporated for Adjustment of) **CERTIFICATE OF**
 Rates and Charges) **SERVICE**


This is to certify that I, Faith E. Shehane, have this date served one (1) copy of the **DIRECT TESTIMONY & EXHIBITS OF WILLIE J. MORGAN, DOUGLAS H. CARLISLE, AND IVANA C. GEARHEART** in the above-referenced matter to the person(s) named below by causing said copy to be electronically mailed as shown below:

Utilities Services of South Carolina, Incorporated

Charles L.A. Terreni, Esquire
and
Scott Elliott, Esquire

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Faith E. Shehane

October 3, 2013
Columbia, South Carolina